September 27, 2000

MEMORANDUM

TO: Valerie Dickson-Horton, Deputy Assistant Administrator, USAID's Bureau for Africa

FROM: Henry Barrett, RIG/Dakar

SUBJECT: Audit of the USAID Bureau for Africa's Implementation of the Federal Managers' Financial Integrity Act, Report No. 7-698-00-009-P

This memorandum is our final report on the subject audit. We have considered your comments to the draft report and have included them as Appendix II. This audit report contains three recommendations. Based on your comments to the draft report, we consider that USAID's Bureau for Africa has made a management decision at this time on all of the recommendations. Please notify USAID's Management Innovation and Control Division, M/MPI/MIC, when final actions are completed.

I appreciate the cooperation and courtesies extended to my staff during the audit.

Background

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes requirements with regard to management accountability and controls. This law encompasses program, operational, and administrative areas as well as accounting and financial management. Under the authority of the FMFIA, the Office of Management and Budget (OMB) issued Circular No. A-123 to provide detailed guidance for assigning Federal managers the responsibility for designing management structures that help ensure accountability and include appropriate cost-effective controls.

OMB Circular No. A-123, Management Accountability and Control, states that management controls are the organization, policies and procedures used to reasonably ensure that (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported and used for decision making. The Circular provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls.

USAID has issued Automated Directives System (ADS) Chapter 596, Management Accountability and Control, which provides USAID's policies and procedures for establishing, assessing, correcting, and reporting on management controls under the FMFIA and OMB Circular No. A-123. Additional guidance for assessing the adequacy of management controls and annual instructions for reporting the status of management controls are periodically provided by the USAID Bureau for Management's Office of Management Planning and Innovation (M/MPI).

Audit Objectives

The Office of the Regional Inspector General, Dakar (RIG/Dakar) performed this audit as part of the Office of Inspector General’s decision to audit USAID’s implementation of the FMFIA. Specifically, we audited the USAID Bureau for Africa to answer the following audit objectives:

- Has the USAID Bureau for Africa established management controls and periodically assessed these controls to identify deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

- Has the USAID Bureau for Africa reported material weaknesses in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

- Has the USAID Bureau for Africa taken timely and effective action to correct identified management control deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

Appendix I includes a discussion of the scope and methodology for this audit.

Audit Findings

Has the USAID Bureau for Africa established management controls and periodically assessed these controls to identify deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

The USAID Bureau for Africa (hereinafter referred to as the Bureau) established management controls and assessed them but did not fully assess the controls in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and related regulations and guidance. The Bureau’s assessment was not in compliance with USAID's guidance because it did not formally designate a Management Accountability Official

(MAO) nor collectively evaluate the identified control deficiencies. Additionally, the Bureau did not adequately document its assessment process.

According to Bureau officials, the Bureau primarily follows policies and procedures as stated in USAID's ADS. Additionally, the Bureau has control procedures that supplement the requirements described in the ADS. The Bureau is currently developing Africa Bureau Standard Operating Procedures (ASOPS) that will provide additional clarification to the ADS guidance and codify existing Bureau procedures.

For Fiscal Year (FY) 1998, the Bureau took an organized approach in completing the FY 1998 FMFIA assessment. One individual in the Bureau was given the responsibility for acting as the Management Accountability Official (MAO), managing the Bureau's implementation of the FMFIA assessment, explaining to the assessment participants the procedures for the FY 1998 FMFIA assessments, and preparing a timetable for conducting the review. The Bureau formally distributed the USAID/Washington provided FMFIA guidance on control techniques, along with instructions, to cognizant offices within the Bureau. The guidance included a checklist containing 74 control techniques applicable to the Bureau. The following table highlights the areas addressed by these control techniques.

CONTROL TECHNIQUES	
CATEGORY	NUMBER
Program Assistance	23
Financial Management	2
Acquisition and Assistance	6
Audit Management and Resolution	5
Organization and Human Resources Management	14
Information Management	18
Administrative Services	3
Other	3
TOTAL	74

Upon receipt of the checklist, each of the Bureau's offices determined whether the controls in their assigned areas were satisfactory. After the assessments were completed by the various Bureau offices, the manager of each office submitted to the Bureau's MAO a certification stating that the specific office had performed an assessment of its management controls and described any material weaknesses that were identified. Also, the Bureau's MAO received individual certifications from the Bureau's country missions that described the material management control weaknesses that the missions had identified during their yearly management control assessments. The Bureau's MAO reviewed the certifications received from the missions and the Bureau's Washington offices and determined which weaknesses were material from an overall Bureau perspective and, therefore, should be reported to the Administrator as material weaknesses for the Bureau.

Although the Bureau conducted an organized review of its internal controls, it did not follow USAID's guidance in that it did not formally designate and describe the duties of a Management Accountability Official (MAO) to provide oversight of the Bureau's management control assessment. Additionally, the Bureau did not formally establish a system to evaluate its identified control deficiencies nor did it document all stages of its internal control assessment process. These weaknesses in the Bureau's assessment process are discussed below.

Bureau Did Not Formally
Establish a System to Evaluate
<u>Its Identified Control Deficiencies</u>

Agency guidance requires that the Bureaus evaluate known deficiencies and appoint a Management Accountability Official (MAO) to oversee each Bureau's management control processes. During its FY 1998 FMFIA assessment, the Bureau did not comprehensively evaluate its identified weaknesses nor did it formally appoint an MAO to oversee its assessment process. Bureau officials stated that they believed including a brief description of the MAO's duties in an employee's job description was an acceptable alternative to formally appointing a MAO. Regarding its method of evaluating the results of its management assessment, the Bureau stated that it originally believed, based on the nature of its operations, that its method of evaluating its assessment results was sufficient. However, by not formally establishing and describing the role of a MAO, and not establishing a comprehensive system to evaluate the results of the control assessment, the efficiency and effectiveness of the assessment process is negatively impacted.

<u>Recommendation No. 1:</u> We recommend that USAID's Bureau for Africa:

1.1 formally appoint a Management Accountability Official for the Bureau by means of an Africa Bureau Standard Operating Procedure. The Procedure should describe the official's role and responsibilities relating to the oversight and coordination of management accountability and control issues in the Bureau including the Bureau's management control assessment process.

1.2 establish by means of an Africa Bureau Standard Operating Procedure a committee to oversee the Bureau's management control processes and assessment. The Procedure should describe the role and responsibilities of the committee including its responsibilities related to the Bureau's management control assessment and the tracking and resolution of the identified control weaknesses.

USAID's Automated Directives System (ADS) 596.5 requires that the Bureau evaluate known management control deficiencies. Additionally, ADS 596.3 requires the Bureau, as an assessable unit, to appoint a Management Accountability Official who oversees and coordinates management accountability and control issues with the organizational unit (i.e. the Bureau).

During the FY 1998 and 1999 assessments of its management controls, the Bureau tasked one individual in its Office of Development Planning with the responsibility to monitor and oversee the Bureau's FMFIA assessment process. The Bureau did describe in the individual's position description that he was to review missions' vulnerability assessments and to initiate Bureau actions to resolve identified control weaknesses. However, the Bureau did not formally designate this person in writing as the Management Accountability Official (MAO), nor did it specifically describe all of his duties as the MAO. Also, the Bureau had not, as of the audit, established a means by which the Bureau can review materiality and validity of control weaknesses identified during its assessments and the status of corrective actions to resolve identified weaknesses. Bureau officials stated that they believed including a brief description of the duties relating to vulnerability assessments and implementation of actions to address identified weaknesses in an employee's job description was an acceptable alternative to formally appointing a MAO. Regarding its method of evaluating the results of its management assessment, the Bureau stated that it originally believed, based on the nature of its operations, that its method of evaluating its assessment results was sufficient.

By not clearly assigning the MAO responsibilities and forming a Bureau committee to review management issues, the Bureau cannot ensure that its yearly FMFIA assessments are conducted efficiently and that the identified management control weaknesses are resolved in a timely manner. We therefore recommend that the Bureau formally appoint a MAO and form a management control committee clearly describing their duties. This description would include their specific roles relating to reviewing the Bureau's assessment documentation, tracking the resolution of identified control weaknesses, and determining the materiality of control weaknesses identified both at the missions and the Bureau's Washington offices.

Bureau Did Not Document All Stages
<u>of Its Internal Control Assessment Process</u>

The U.S. General Accounting Office standards for internal control and USAID's ADS require the Bureau to document its internal control systems. As part of its control systems, the Bureau, in compliance with instructions from USAID/Washington and ADS 596, assessed its internal management controls but did not adequately document all components of its assessment. This occurred because the Bureau believed that the extent of documentation that it gathered was sufficient and did not realize the necessity of requiring greater documentation for its assessment process. The effect of not fully documenting its FY 1998 assessment is that the Bureau cannot demonstrate that it adequately assessed its internal controls nor monitored the resolution of identified weaknesses.

> **<u>Recommendation No. 2:</u> We recommend that USAID's Bureau for Africa establish procedures to fully document all components of the assessment process it performs of its internal controls in compliance with the Federal Managers' Financial Integrity Act.**

USAID's ADS 596.5 requires that the Bureau develop, maintain and implement appropriate management controls for results-oriented management and that it continuously assess and improve the effectiveness of its management controls. An important management control is the Bureau's assessment of its internal controls as required by USAID/Washington in satisfying the provisions of the FMFIA. USAID's ADS 596.5.1 and the United States General Accounting Office Standards for Internal Controls in the Federal Government require that the documentation for management controls shall be clear and readily available for examination.

Although the Bureau did assess its internal controls, it did not adequately document all components of its assessment process. Primarily, complete Bureau documentation was lacking in the following areas: the control technique questionnaire, determination as to whether an identified weakness was material or non-material, and the tracking of the corrective action for identified weaknesses.

Control Technique Questionnaire

The Bureau used a control technique questionnaire sent to the Bureau by USAID's M/MPI as its principal tool in assessing its internal controls. The questionnaire identified key control techniques that were to be assessed. The Bureau had each of its six principal offices assess the adequacy of the control techniques that pertained to each specific office. After completing the questionnaire each individual office submitted a completed certification that included the material weaknesses identified during their respective assessments. However, the Bureau did not require each individual office to submit their completed questionnaires along with their certification to the MAO. We found during our audit that neither the Bureau's MAO nor all of the Bureau's individual offices retained the completed questionnaires that supported the assessment process. For those questionnaires that were maintained, it was not clearly described who actually participated in the assessment of the control techniques. Also, we found in a few questionnaires the control techniques were rated as "No" (i.e. control technique not satisfactorily implemented) or "?". However, we found no documentation to support how these instances of identified weaknesses were addressed. Additionally, there was no documentation to describe the reason the specific control technique that was assessed was determined to be either satisfactory or unsatisfactory.

Material Versus Non-material

For each control weakness identified in the questionnaire by the Bureau's assessment participants, the staff had to make a determination as to whether the weakness was material or non-material. For any weaknesses identified as material, the weakness was to be described in the certification sent to the Bureau's MAO. Additionally, the Bureau's MAO reviewed the material weaknesses reported by the individual Missions and decided whether they were material from an overall Bureau viewpoint. If the MAO decided the weakness was material, he reported it in the Bureau's certification to USAID's Administrator. The

Bureau did not maintain any documentation supporting their basis for determining whether an identified weakness was material or non-material.

Tracking of Corrective Actions

For the weaknesses identified in the questionnaires, the Bureau did not maintain any documentation that identified the corrective action that was to be taken to resolve the identified weakness and the date by which the action was to be taken.

The Bureau did not adequately document all components of its assessment because it believed the extent of documentation that it gathered was sufficient and did not realize the necessity of requiring greater documentation for its assessment process. The effect of not fully documenting its FY 1998 assessment is that the Bureau cannot fully support the extent of analysis and review that went into the assessment of its internal controls. Additionally, considering the rate of turnover in staff that is common in USAID due to the normal employee rotation and other factors, maintaining the quality and consistency of USAID's internal control assessment is very difficult, if not impossible, if the process is not thoroughly documented.

Has the USAID Bureau for Africa reported material weaknesses in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

The USAID Bureau for Africa performed an evaluation of its management controls for FY 1998 and reported one material weakness (described below) in accordance with the FMFIA and related regulations and guidance.

For FY 1998, the material weakness that the Bureau reported was its reliance upon the New Management System (NMS) and its suit of modules: AA, AWACS, BUD and OPS. The Bureau stated that reports generated by the NMS have not been timely, accurate, nor easily usable by Bureau management. As a result of this weakness, the Bureau stated numerous "cuff records" are created to serve as backups to NMS and that relying on these "cuff records", the Bureau management runs a high risk of over obligation, under obligation or improper stewardship of USAID resources. For FY 1999, the Bureau again reported the same material weakness.

The Office of Management and Budget (OMB) Circular No. A-123 requires that a management control deficiency should be reported if it is, or should be, of interest to the next level of management. This allows the chain of command structure to determine the relative importance of each deficiency. Along these lines, USAID's ADS Chapter 596 and M/MPI's FY 1998 instructions require that the Bureau provide a FMFIA certification to the cognizant Assistant Administrator, with a copy to M/MPI, on the overall adequacy and effectiveness of management controls. This certification should identify management control deficiencies determined to be material weaknesses, including those that are not correctable within the Bureau's authority and resources.

Has the USAID Bureau for Africa taken timely and effective action to correct identified management control deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

The Bureau has not taken timely and effective action to correct all deficiencies it identified during the FY 1998 Federal Managers' Financial Integrity Act (FMFIA) assessment.

The Bureau identified one material weakness in its FY 1998 FMFIA certification and numerous other non-material weaknesses related to its internal controls. However, the Bureau did not prepare corrective action plans to track the resolution of the identified non-material weaknesses as required by U.S. Government regulations and USAID guidance. As a result, there is no documentation available showing that the identified weaknesses were periodically reviewed and discussed and corrective actions taken.

At the time of our audit, the Bureau had also completed its FY 1999 FMFIA certification, identifying one material weakness and other non-material weaknesses. As with the 1998 FMFIA assessment, the Bureau did not prepare corrective action plans to track identified non-material weaknesses. The Bureau, in conducting its FY 1999 FMFIA, did not review the FY 1998 FMFIA assessment to determine if the weaknesses identified were the same ones being identified in 1999. Thus, some weaknesses were not tracked from year to year allowing weaknesses to remain uncorrected for excessive periods of time. In addition, the Bureau needs to establish procedures to better document the Bureau's review and approval of corrective actions taken to resolve weaknesses.

Corrective Actions Need to be Tracked, More Timely and Better Documented

OMB and USAID guidance state that corrective action plans for identified management control deficiencies will be developed and managers shall track progress to ensure timely and effective results. Although the Bureau had identified material and non-material management control weaknesses in its FY 1998 and 1999 FMFIA assessments, it did not develop corrective action plans to track identified non-material weaknesses to ensure timely corrective action. In addition, there was a lack of documentation to support completed corrective actions on identified weaknesses. This occurred because the Bureau was not fully aware that all weaknesses, including non-material weaknesses, needed to be tracked. Moreover, they were not aware that target corrective action dates needed to be established and that the determination that weaknesses were corrected had to be in writing. As a result, Bureau operations are placed at risk because identified management control weaknesses remain uncorrected and there is a lack of documentation supporting the corrective actions taken.

<u>Recommendation No. 3:</u> **We recommend that the USAID Bureau for Africa:**

3.1 establish corrective action plans for the management control weaknesses identified in the Fiscal Year 1998 and 1999 Federal Managers' Financial Integrity Act management control assessments that have not already been corrected.

3.2 establish documented procedures to monitor planned corrective actions, specifically noting the planned corrective action dates, and in those instances where the corrective actions are not completed by the original correction date, the Bureau should document why the correction date was not met and revise the target correction date accordingly.

3.3 formalize the review and approval of corrective actions taken on identified management control weaknesses by requiring the submission of a closure memorandum for approval/disapproval for each identified control weakness being considered for closure and require that the closure memorandums be maintained in a central location under the control of the Bureau's Management Accountability Officer.

OMB Circular A-123 and USAID's ADS Chapter 596 state that agency managers are responsible for taking timely and effective action to correct deficiencies identified. Furthermore, corrective action plans should be developed and tracked internally by each assessable unit. ADS 596.5.1(i) specifically states "Managers shall promptly evaluate and determine proper actions in response to known deficiencies … Managers shall complete**,** *within established timeframes* [italics added], all actions that correct or otherwise resolve deficiencies."

OMB Circular A-123 specifically states, "A determination that a deficiency has been corrected should be made only when sufficient corrective actions have been taken and the desired results achieved. This determination should be in writing, and along with other appropriate documentation, should be available for review by appropriate officials."

All management control weaknesses identified during the FMFIA assessments are to be tracked, including non-material weaknesses. For example, USAID's FY 1998 FMFIA guidance stated that "Although bureaus and independent offices are only required to provide detailed information on deficiencies that are determined to be "material weaknesses", documentation should be maintained to support the certification and all identified deficiencies." OMB Circular A-123 is more specific and states, "For deficiencies that are not included in the Integrity Act report, corrective action plans should be developed and tracked internally at the appropriate level." Thus, once the Bureau identifies management control weaknesses, it is their responsibility to track those weaknesses until they are corrected.

Our review of the Bureau's FY 1998 FMFIA assessment process found that even though the Bureau had identified and reported one "material" management control weakness, the Bureau did not document and track non-material weaknesses. This is not to say that the Bureau did not identify non-material weaknesses. For example, our review of documentation submitted by the various Bureau offices showed that at least another 30 management controls, over and above the one reported as a "material" weakness, were identified by Bureau staff with notations such as, "No", "?", "in process", "needs work", etc. We were unable to determine exactly how many of these other weaknesses should have had corrective action plans developed, and the actions tracked, since there was no Bureau documentation on discussions concerning these weaknesses.

Additionally, our review showed that seven weaknesses identified in the Bureau's 1998 FMFIA management control assessment were also identified as weaknesses in the Bureau's 1999 FMFIA assessment. The Bureau did not formally discuss the status of the 1998 weaknesses when the 1999 FMFIA was being prepared, thus 1998 weaknesses were not identified and tracked into 1999. Since these same seven weaknesses appeared in two consecutive years, it brings into question the timeliness of the Bureau's actions in resolving identified weaknesses.

For example, in making its 1998 FMFIA certification statement on November 19, 1998, the Bureau's Office of Sustainable Development noted two management concerns. One of these concerns pertained to the management control technique that stated: "A signed management contract is in place which summarizes agreement on strategic and other objectives pursued by the operating unit, resources levels, delegations of authority and any other special management concerns or agreements." The Office of Sustainable Development's answer for this technique was, "to our knowledge there has not been a formal management contract issued by the Bureau."

For the 1999 FMFIA certification, dated October 1, 1999, the Office of Sustainable Development once again noted the lack of a management contract as a management concern and stated: "the issuance of a signed management contract by the Bureau has not yet taken place." Discussions with the Office of Sustainable Development on March 29, 2000 indicated that the management contract had been completed but was being circulated within the Bureau for approval signatures. Thus, it has taken more than 16 months to address this management control weakness. However, the Office of Sustainable Development's 1997 FMFIA certification statement and accompanying management checklist could not be located making it impossible to determine if this (lack of a management contract) weakness had existed prior to 1998. Regardless, the corrective actions for this identified management control weakness were not tracked by the Bureau in order to ensure that actions taken were timely and effective.

Another example of a management control weakness that was identified by the Bureau for several consecutive years pertains to "A Records Inventory and Disposition Plan …". This weakness was identified in the FY 1997, 1998 and 1999 FMFIA assessments. There was no documentation available to indicate that the Bureau had taken action to track and correct this identified weakness.

In discussions with Bureau officials, we determined that the Bureau had made no attempt to identify and track the actions taken to correct management control weaknesses identified by the individual Bureau offices. The individual Bureau offices were not required to submit FMFIA assessment checklists to the Bureau official responsible for coordinating the FMFIA process. Offices were only required to return the FMFIA Certification that identified "material" weaknesses to the coordinating official, no emphasis was placed on "non-material" weaknesses.

We believe that once the Bureau identifies both material and non-material weaknesses through its FMFIA assessment process, it is the responsibility of the Bureau, as an assessable unit, to develop a corrective action plan to track the weaknesses until they are resolved.

As part of this process, the Bureau needs to establish procedures for monitoring the corrective action plan and the eventual closure of the weaknesses. Specifically, the Bureau needs to formalize the procedures for (1) monitoring the planned corrective action dates, such that, when the dates are not met, an explanation is given and a justification is provided for establishing a new corrective action date, and (2) the closure of identified weaknesses by requiring the submission of supporting documentation to the Bureau's management control committee for its review and approval.

Without closely monitoring its planned corrective actions, the Bureau places its operations at greater risk i.e., identified unsatisfactory management controls remain unchanged for excessive periods of time. Moreover, without adequate documentation, the Bureau cannot provide the basis for closing identified weaknesses and justify corrective closure actions. As a result, the Bureau is not in compliance with USAID policy and procedures and OMB Circular No. A-123 concerning timely action to correct management control deficiencies, thereby placing the Bureau's resources at greater risk.

Management Comments and Our Evaluation

In its response to our draft report, USAID's Africa Bureau provided written comments that are included in their entirety as Appendix II. Based on our evaluation of these comments, we consider that the Africa Bureau has made management decisions on each of the recommendations in this final report.

Recommendation No. 1.1 recommended that the Africa Bureau formally appoint a management accountability official by means of an Africa Bureau Standard Operating Procedure describing the official's role and responsibilities. The Bureau stated that the financial operations specialist had been formally designated as the Bureau Management Control Official (to serve as the management accountability official) by a revision of that position description to make this function more explicit.

Recommendation 1.2 recommended that the Bureau establish by means of an Africa Bureau Standard Operating Procedure a committee to oversee the Bureau's management control processes and assessment, and the procedure should describe the roles and responsibilities of the committee. The Africa Bureau in their comments stated that they have prepared an action memorandum establishing a committee and describing its function in implementing the FMFIA. The action memorandum will be distributed as an Africa Bureau Standard Operating Procedure. They expect to have these actions completed by October 25, 2000.

Recommendation No. 2 recommended that the Africa Bureau establish procedures to fully document all components of the assessment process it performs of its internal controls in compliance with the Federal Managers Financial Integrity Act (FMFIA). The Africa Bureau has indicated their agreement with this recommendation and their plan to implement it.

Recommendation No. 3.1 recommended that the Africa Bureau establish corrective action plans for the control weaknesses identified in the FY 1998 and 1999 FMFIA management control assessments. The Bureau stated in their comments that they plan to develop a Corrective Action Plan form to follow-up on actions taken to correct current and prior year identified weaknesses.

Recommendation No. 3.2 recommended that the Africa Bureau document procedures to monitor planned corrective actions specifically noting action dates and documenting why a correction date was not met and revise the target correction dates accordingly. The Bureau in their comments stated that in the course of conducting the FY 2000 review, the Bureau Management Control Committee will meet to review the control weaknesses identified in the FY 1998 and 1999 reviews and enter them on the corrective action plan, together with planned completion dates for corrective actions to be taken.

Recommendation 3.3 recommended that the Africa Bureau formalize the review and approval of corrective actions taken on identified management control weaknesses by requiring the submission of a closure memorandum for each control weakness and requiring that the memorandum be maintained in a central location. The Bureau in their comments stated that a sample control weakness closure memorandum will also be distributed to all participating Africa Bureau offices as a part of the Bureau's yearly assessment process.

SCOPE AND METHODOLOGY

Scope

We audited the USAID Bureau for Africa’s (hereinafter referred to as the Bureau) implementation of the Federal Managers' Financial Integrity Act (FMFIA). The audit was performed in accordance with generally accepted government auditing standards and was conducted from March 15, 2000 through March 31, 2000, at the Bureau’s offices in Washington D.C.

We audited the Bureau's FY 1998 FMFIA assessment and the deficiency noted under its FY 1997 assessment. The purpose of the audit was not designed to identify all the material weaknesses not reported by the Bureau; however, if any previously unreported weaknesses came to our attention during the audit, we included these weaknesses in our audit report. Also, the scope of this audit did not include a detailed analysis of individual management controls to determine their effectiveness.

Methodology

The audit work included reviewing the Bureau's system for establishing, assessing, reporting and correcting management controls. To accomplish the audit objectives, we used the FMFIA, Office of Management and Budget Circular No. A-123, General Accounting Office's (GAO) "Standards for Internal Control in the Federal Government,” USAID's Automated Directives System (ADS) Chapter 596 on Management Accountability and Control, other ADS Chapters relating to USAID‘s policies and essential procedures, guidance for assessing the adequacy of management controls and annual instructions for reporting the status of management controls provided to the Bureau by USAID.

We interviewed the Bureau's Management Control Official and members of the Bureau's various office management staff involved in its FMFIA assessment process. We reviewed available documentation on the FY 1998 FMFIA review, including the cited management control deficiency. We reviewed the Bureau's FY 1998 FMFIA Certification to the Administrator of USAID on the overall adequacy and effectiveness of management controls, noted any material weaknesses identified, and reviewed the status of any material weaknesses or deficiencies identified in the FY 1997 review.

We also reviewed the Bureau's documentation for its FMFIA assessment for FY 1999 to determine if FY 1998 identified weaknesses that had not been corrected were properly carried over to the following year and tracked as required.

Finally, we reviewed recent Office of Inspector General audit reports and evaluations performed at the Bureau to identify potential material weaknesses.

USAID

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Date: August 30, 2000

Reply to the Attention of: A/AA/AFR, Valerie Dickson-Horton

Subject: Bureau Comments: Audit of USAID's Bureau for Africa's Implementation of the Federal Managers' Financial Integrity Act (FMFIA), Report No. 7-698-00-000-P

To : RIG/Dakar, Henry L. Barrett

We have received and reviewed the subject draft audit report. This memorandum is the Bureau's response to the draft report. We are very appreciative of the courtesy and cooperation extended to our staff by the auditors during the course of the audit.

The Africa Bureau concurs with the audit report's recommendations that USAID's Bureau for Africa:

1.1 Formally appoint a Management Control Official for the Bureau by means of an Africa Bureau Standard Operating Procedure. The Procedure should describe the official's role and responsibilities relating to the oversight and coordination of management accountability and control issues in the Bureau including the Bureau's management control assessment process.

1.2 Establish by means of an Africa Bureau Standard Operating Procedure, a committee to oversee the Bureau's management control processes and assessment. The Procedure should describe the role and responsibilities of the committee including its responsibilities related to the Bureau's management control assessment and the tracking and resolution of the identified control weaknesses.

2: Establish procedures to fully document all components of the assessment process it performs of its internal controls in compliance with the Federal Managers' Financial Integrity Act.

3.1 Establish corrective action plans for the management control weaknesses identified in the Fiscal Year 1998 and 1999 Federal Managers' Financial Integrity Act management control assessments that have not already been corrected.

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3.2 Establish documented procedures to monitor planned corrective actions, specifically noting the planned corrective action dates, and in those instances where the corrective actions are not completed by the original correction date, the Bureau should document why the correction date was not met and revise the target correction date accordingly.

3.3 Formalize the review and approval of corrective actions taken on identified management control weaknesses by requiring the submission of a closure memorandum for approval/disapproval for each identified control weakness being considered for closure and require that the closure memorandums be maintained in a central location under the control of the Bureau's Management Accountability Officer.

The Africa Bureau has taken several actions concerning recommendations 1.1 and 1.2. These are summarized below. We believe they will be sufficient to close these two recommendations:

1. The Financial Operations Specialist in the Africa Bureau Controller's office (AFR/DP/OEFM) has been formally designated as the Bureau Management Control Official (MCO) by a revision of that Position Description to make this function more explicit.
2. In addition, an action memorandum establishing a Bureau Management Control Committee (BMCC) and describing it's function in implementing the FMFIA has been prepared for the Assistant Administrator for Africa and will be distributed as a Africa Bureau Standard Operating Procedure. We expect to have these actions completed by October 25, 2000. In the meantime, we request that a management decision be considered taken on recommendation numbers 1.1 and 1.2.

In preparation for the FY 2000 FMFIA review, the Roles and Responsibilities of FMFIA Assessment Participants and a Control Assessment Worksheet to list and document each control weakness identified will be distributed at the first meeting of the BMCC. In addition, a Corrective Action Plan form to follow up on actions taken to correct these and prior year weaknesses on the worksheet will also be included.

A sample Control Weakness closure memorandum will also be distributed to identify corrective actions taken on weaknesses and obtain the approval of the Bureau Management Control Committee of the action(s) taken.

In the course of conducting the FY 2000 review, the BMCC will meet to review the control weaknesses identified in the FY 1998 and 1999 reviews and enter them on the corrective action plan, together with planned completion dates for corrective actions to be taken. Thereafter, the BMCC will meet at least semi annually, or more frequently if situations warrant it.

These last three actions have not yet been completed, but will be accomplished in the course of conducting our FY 2000 FMFIA review. In the meantime, we request that a management decision be considered taken on recommendation numbers 2 and 3 as well.

It is our intention to complete the Africa Bureau FMFIA review for FY 2000 by November 1, 2000. At that time, the Bureau will be prepared to request closure recommendations 2, 3.1, 3.2 and 3.3 of subject audit report.

Once again, the Africa Bureau appreciates the feedback and assistance provided by the auditors in addressing the recommendations contained in this report.

Clearances:

AFR/DP:JSmith: ______ date 8/31/00
DAA/AFR:KBrown ______ date 9/1/00

AFR/DP/OEFM:TWilliams:8/30/00

Drafter: P:afr.dp.pub/dpdir